

No. 10/42/DPD

Jakarta, 27 November 2008

CIRCULAR LETTER

TO

ALL COMMERCIAL BANKS

IN INDONESIA

Subject : Buying Foreign Exchange against Rupiah to Bank

In connection with the enactment of Bank Indonesia Regulation No. 10/28/PBI/2008 dated 12 November 2008 concerning the Buying of Foreign Exchange against Rupiah to Bank (State Gazette of the Republic of Indonesia Number 172 of 2008, Supplement to State Gazette Number 4921), it is deemed necessary to determine regulation on the implementation of foreign exchange buying against rupiah to Bank in a Bank Indonesia circular letter as follows:

1. The buying of foreign exchange against rupiah as referred to in Article 2 paragraph (1) of Bank Indonesia Regulation No. 10/28/PBI/2008 concerning the Buying of Foreign Exchange against Rupiah to Bank (hereinafter referred as PBI), may only be conducted for non-speculative activities.
2. The buying of foreign exchange against rupiah to Bank by Customer or Foreign

Party ...

Party as referred to in point 1, to include buying transaction in denomination of all foreign exchange against rupiah.

3. For the buying of foreign currency except US Dollar against rupiah as referred to in Article 2 paragraph (2) of PBI, market rate calculation is used as usually conducted in foreign exchange market (for instance: Reuters or Bloomberg rate) at the time the transaction is being conducted, that is by using middle rate ($(\text{buying rate} + \text{selling rate}) / 2$).
4. The buying of foreign exchange against rupiah by Customer or Foreign Party to Bank above USD100,000 (one hundred thousand US Dollar) or equivalent per month per Customer or per Foreign Party may only be conducted for non-speculative activities, with underlying as referred to in Article 2 paragraph (2) and paragraph (3) of PBI, is regulated as follows:
 - a. For Customer as referred to in Article 1 paragraph 2 of PBI, type of underlying transaction among others in the form of:
 - 1) Import activity for goods and services;
 - 2) Service payment, such as:
 - a) School fee overseas;
 - b) Medical attention costs overseas;

c) Overseas ...

- c) Overseas travelling costs for the purpose of haj pilgrimage, religious travelling / spiritual tour, or other tours;
 - d) Payment for using overseas consultant's service;
 - e) Payment related to the use of foreign worker in Indonesia.
- 3) Loan payment in foreign exchange;
- 4) Payment for overseas assets purchase;
- 5) Business activity of non Bank foreign exchange trader having a valid permit from Bank Indonesia;
- 6) Travel agent business activity;
- 7) Placement in savings in foreign exchange,
- b. For Foreign Party as regulated in Article 1 paragraph 3 of PBI, underlying transaction is among others in the form of asset clearing or investment in rupiah held, including capital repatriation; credit settlement by debtor; and yield from investment, such as capital gain, coupon, interest and dividend.
- 5. Speculative activity as referred to in paragraph 1 among others is in the form of structured product which is regulated as follows:
 - a. What is meant by structure product is the product issued by Bank which becomes the combination of an asset with derivative from the currency of

foreign ...

foreign exchange against rupiah currency, for the purpose of obtaining additional income (return enhancement), which may encourage transaction of foreign exchange buying against rupiah for speculative purposes, and may create unstability in rupiah value.

- b. The buying of foreign exchange against rupiah is not permitted to be conducted in whatever amount if said buying or the buying potency is related to structured product.

Example 1:

Dual currency deposit. Dual Currency deposit (DCD) is a short term deposit which within it there is a possibility of a conversion occurred between foreign exchange with rupiah currency, which interest is connected with the rate movement of said two currencies. On maturity, the customer shall receive the capital and interest in deposit placement currency or in the currency of its pair, depending on which one is weaker compared to agreed conversion rate.

- Deposit amount : IDR 1 billion
- Deposit currency : IDR
- Pair currency : USD
- Tenor : 1 month
- Interest : 15% pa

Strike ...

- Strike level : 11,000

At maturity, Customer shall receive capital and interest in the weaker currency.

	Scenario 1: If spot rate < strike: 11,000	Scenario 2: If spot rate > strike: 11,000
Spot rate	10,000	12,000
Currency received	USD	IDR
Amount received	IDR 1 billion + (IDR 1 billion * 15% * 30/360 = IDR 1,0125 billion/1200 = USD 101,250	IDR 1 billion + (IDR 1 billion * 15% * 30/360 = IDR 1,0125 billion

Example 2:

Callable forward. Callable forward is an investment instrument which is performed by customer by implemented the combination of forward and option transaction, for instance long forward and short call option customer, with the hope to gain better price than market price.

- Customer performs forward and option contract for 3 months with Bank, with a total of 12 (twelve) option contracts, since 1 December 2008 up to 16 February 2009, with the following details:

○ Volume : USD5,000,000 (five million US Dollar)

○ Spot Rate : 12,000

Customer ...

Fixing #	Expiry Date	Spot Onshore	Strike *)	Volume	Customer Buy to Bank (Rp M)	Customer Sell to Market (Rp M)	Profit/ Loss (Rp M)
1	1-Dec	12,000	12,300	USD 5 M	61,500	60,000	(1,500)
2	8-Dec	12,100	12,300	USD 5 M	61,500	60,500	(1,000)
3	15-Dec	12,500	12,300	USD 5 M	61,500	62,500	1,000
4	22-Dec	12,550	12,300	USD 5 M	61,500	62,750	1,250
...
12	16-Feb	13,000	12,300	USD 5 M	61,500	65,000	3,500
TOTAL							19,500

*conversion may use strike price or other price, depending on agreement

Example 3:

Callable forward.

- Customer PT X is going to receive export proceed in US Dollar, and is intending to sell said US Dollar in weekly term within the next 1 year (total 52 contracts), through callable forward transaction with expectation of gaining better rate than market rate, with the following details:

O Deal date : 1 December 2008

O Tenor : 1 year – maturity date 1 December 2009

O Spot rate : 12,000

O Callable forward rate 1 year: 13,000 =strike price

In callable ...

- In callable forward transaction, PT X performs “Sell call” with a nominal of USD 1,000,000 (one million US Dollar), and to perform “Buy put” with a nominal of USD 1,000,000 (one million US Dollar).

Fixing #	Expiry Date	Spot Onshore	Strike	Nominal Transaction	PT X Buy to Market (Rp M)	PT X sell to Bank (Rp M)	Profit/ Loss (Rp M)
1	1-Dec	12,000	12,300	USD 1 M	12,000	13,000	1,000
2	8-Dec	12,100	12,300	USD 1 M	12,100	13,000	900
3	15-Dec	12,500	12,300	USD 1 M	12,500	13,000	500
4	22-Dec	12,550	12,300	USD 1 M	12,550	13,000	450
5	29-Dec	12,600	13,000	USD 1 M	12,600	13,000	400
...etc	...etc	...etc	...etc	...etc	...etc	...etc	...etc

6. The buying of foreign exchange against rupiah by Customer which include spot transaction, forward transaction, and other derivative transaction as referred to in Article 3 paragraph (1) of PBI is regulated as follows:
 - a. To include in spot transaction terminology is transaction with value today, value tomorrow, bank notes transaction, transfer from rupiah account to foreign exchange account, transaction through credit card, transaction through Automated Teller Machine (ATM), transaction through electronic banking system, or transaction through phone banking.
 - b. Forward transaction and other derivative transactions are to include but not limited to transaction of swap and option.

7. Requirements...

7. Requirements on documents for foreign exchange buying transaction against rupiah conducted by Customer with a nominal value of above USD100,000(one hundred thousand US Dollar) as referred to in Article 3 paragraph (2) of PBI is regulated as follows:

a. Completeness of documents as required in Article 3 paragraph (2) letter a and c of PBI is obliged to be attached as of 1 December 2008.

b. Documents required is obliged to be attached in every transaction based on transaction date.

c. For Customer:

1) Document of underlying transaction which may be justified among others is in the form of evidence document related to type of underlying as referred to in point 3 letter a above mentioned:

a) For the importation activity of goods and services, the documents required among others are photocopy of Goods Import Notification (PIB) issued by the authority, letter of credit, or invoice.

b) For payment of service, documents are regulated as follows:

(1) For overseas school fee, the documents are among others in the form of estimation of school fee and living cost abroad;

(2) For medical attention costs overseas, the documents are among

others ...

others estimation of medical attention cost and accomodation;

- (3) For overseas traveling costs, for haj piligrimage, spritual travelling / spiritual tour, other tours, the documents required among others is in the form of estimation of travelling costs and accomodation;
- (4) For payment on the use of foreign consultant services, the documents required among others is the photocopy of working agreement between the foreign worker and the corporation.
- c) For the payment of foreign exchange loan coming from either domestic or foreign creditor, the documents required among others is photocopy of loan agreement, or other relevant loan document;
- d) For the payment on overseas asset purchase, the documents required among others is the invoice of asset purchase overseas;
- e) For non-Bank foreign exchange trader (PVA) business activity, possessing the valid permit from Bank Indonesia, the documents required among others are the valid business permit as foregin exchange trader, historical turnover based on PVA customer need and the resreve required (with the form as attached);
- f) For travel agent business activity, the documents required are cashflow

projection ...

projection based on the need of travel agent service user and the need of reserve;

g) For placement in foreign exchange savings, the documents required among others is the foreign exchange savings book, or foreign exchange deposit bilyet.

- 2) Evaluation on the fairly or in coformity underlying nominal value submitted by Customer, is to be conducted by Bank.
- 3) Photocopy of Customer identity doument including photopy of Identity card (KTP) or Driving License (SIM), and individual NPWP (Taxpayer ID No) for Individual Customer as referred to in Article 1 point 2 letter a of PBI; or photocopy of Undertaking Permit (SIUP) issued by the authorities and photocopy of NPWP of business entity for Customer of non-Bank corporation as referred to in Article 1 point 2 letter b of PBI.
- 4) Written statement sufficiently stamped signed by relevant Customer for individual Customer as referred to in Article 1 point 2 letter a of PBI, or the competence authorities of non-Bank Corporation Customer as referred to in Article 1 point 2 letter b of PBI, concerning information on validity of underling documents and information that underlying document to be used only for the buying of foreign exchange against rupiah maximally the same as underlying nominal in banking system in Indonesia.

8. The buying of foreign exchange against rupiah by Foreign Party which includes spot outright transaction as referred to in Article 4 paragraph (1) of PBI is regulated as follows:
 - a. Spot outright transactions are to include transaction with today's value, tomorrow's value, bank notes transaction, transfer from rupiah account to foreign exchange account, transaction through Automated Teller Machine (ATM), transaction through electronic banking system, or transaction through phone banking system.
 - b. Said spot outright transactions are not to include spot transaction originated from derivative transaction combination.
9. Document Requirements for foreign exchange buying transaction against rupiah conducted by Foreign party with a nominal value of above USD100,000 (one hundred thousand US Dollar) as referred to in Article 4 paragraph (2) of PBI are regulated as follows:
 - a. Documents completeness as required in Article 4 paragraph (2) letter a, and b of PBI are obliged to be enclosed as of 1 December 2008.
 - b. The required documents are obliged to be enclosed in every transaction based on date of transaction.
 - c. Transaction underlying documents which may be justified among others are

related ...

related document of evidence with the underlying type as referred to in point 3 letter b above mentioned, and the evaluation of Bank on fairly and in conformity of underlying nominal value submitted.

- d. Written statement sufficiently stamped signed by the competence authority of the relevant Foreign Party. In the event the Foreign Party is unable to provide stamped statement document, the Foreign Party is obliged to provide authenticated statement which contains information on the validity of underlying document and information that underlying document used only for buying of foreign exchange against rupiah maximally the same as underlying nominal in banking system in Indonesia among others in the forms of SWIFT message, tested telex, tested fax, Reuters Monitoring Dealing System (RMDS), or documents signed and submitted electronically to Bank.
- e. For Bank conducting custodian function in particular, the written statement submitted by Foreign Party for transaction conducted up to USD100,000 (one hundred thousand US Dollar) and above USD100,000 (One hundred US Dollar) or equivalent to per month per Foreign Party, as referred to in Article 4 paragraph (2) letter b and Article 6 of PBI may be implemented one time in one calendar year.
- f. Bank conducting custodian function is responsible to the administration and completeness of the underlying documents and said written statement.

10. In the event the Customer or Foreign Party which is conducting foreign exchange

buying ...

buying against rupiah up to USD100,000 (one hundred thousand US Dollar) in installments and to reach the value above USD100,000 (one hundred thousand US Dollar) in one same month, then the documents as required in Article 3 paragraph (2) and Article 4 paragraph (2) of PBI, are obliged to be enclosed for foreign exchange buying against rupiah amounting more than USD100,000 (one hundred thousand US Dollar).

Example:

In case on 5 December 2008 Customer conducted foreign exchange buying for the sum of USD30,000 (thirty thousand US Dollar). Then on 12 December 2008 the same Customer conducted foreign exchange buying against rupiah for the sum of USD50,000 (fifty thousand US Dollar). Henceforth on 19 December 2008 Customer again conducted foreign exchange buying against rupiah for the sum of USD 60,000 (sixty thousand US Dollar), therefore on 19 December 2008 the buying had exceeded USD100,000 (one hundred thousand US Dollar). Customer is obliged to provide complete documents as required for the buying conducted on 19 December 2008.

11. The buying of foreign exchange against Rupiah by Customer or Foreign Party to Bank without underlying which may be conducted for a maximum of USD100,000 (one hundred US Dollar) or equivalent per month per Customer or per Foreign Party as referred to in Article 5 of PBI is regulated as follows:

a. One...

- a. One month calculation is based on calendar month i.e. as of date of beginning calendar month up to end of calendar month.

Example:

If in January 2009 Customer conducted a foreign exchange buying against rupiah without underlying only one time that was on 25 January 2009 for the sum of USD100,000 (one hundred US Dollar), then said matter shall be calculated as the maximum total used in January 2009. Customer may re-use the maximum sum equivalent to said USD100,000 (one hundred thousand US Dollar) during the period of February 2009.

- b. Calculation of transaction nominal is based on date of transaction.

Example:

On 9 December 2008, Customer conducted a foreign exchange buying against rupiah through buying spot transaction for the sum of USD40,000 (forty thousand US Dollar). Then Customer conducted buying forward transaction of foreign exchange against rupiah on 18 December 2008 for the sum of USD50,000 (fifty thousand US Dollar) with maturity on 18 February 2009. Calculation on transaction of foreign exchange buying against rupiah by Customer up to 18 December 2008 was Rp90,000 (ninety thousand US Dollar).

c. Calculation ...

- c. Calculation on transaction nominal is based on the accumulation of all transactions in 1 (one) calendar month performed by Customers respectively or Foreign Party individually either in cash or non-cash in the form of foreign exchange savings.

Example:

Customer A conducted a foreign exchange buying against rupiah in cash for the sum of USD20,000 (twenty thousand US Dollar) on 2 December 2008. Then on 4 December 2008 Customer A conducted conversion of rupiah savings to become foreign exchange savings (US Dollar) in Bank X for the sum of USD80,000 (eighty thousand US Dollar). Cumulative calculation on transaction conducted by Customer A in Bank X, is totalling to USD100,000 (one hundred thousand US Dollar).

- d. For joint account, foreign exchange buying againsts rupiah without underlying is up to USD100,000 (one hundred thousand US Dollar) based on transactions conducted by Customer or Foreign Party respectively holding said joint account.

- 12. For the transactions of foreign exchange buying against rupiah up to USD 100,000 (one hundred US Dollar) or equivalent per month per Customer or per Foreign Party included those conducted through ATM, phone banking, e-banking, and credit card, as a whole are obliged to be attached with:

- a. written ...

- a. written statement from Customer sufficiently stamped or authenticated statement from Foreign Party as referred to in Article 6 of PBI submitted 1 (one) time in 1 (one) calendar month; or
- b. statement as referred to in letter a, may be in the form of official email, SWIFT message, tested telex, tested fax, Reuters Monitoring Dealing System (RMDS), or negative confirmation from Bank to relevant Customer or Foreign Party, for those travelling abroad.

Negative confirmation is the confirmation sent by Bank to Customer or Foreign Party, in case not responded within ascertain period, the Customer of Foreign Party is considered as has approved the content of said confirmation.

As for negative confirmation as referred to in letter b, Bank is to assure that the negative confirmation is received by the Customer or Foreign Party in the form of receipt signed by relevant Customer or Foreign Party or the appointed party by Customer or Foreign Party.

13. The statements which are obliged to be submitted by Customer or Foreign Party to Bank for foreign exchange buying against rupiah with nominal value up to USD100,000 (one hundred US Dollar) as referred to in Article 6 of PBI, at least to include the information concerning:

- a. Name and identity of Customer or Foreign Party;
- b. Name of Bank where foreign exchange buying against rupiah is conducted;
- c. Nominal value of foreign exchange buying against rupiah; and
- d. Statement ...

- d. Statement that foreign exchange buying against rupiah conducted shall not be more than USD100,000 (one hundred thousand US Dollar) in the whole banking system in Indonesia.
14. Period for documents which are obliged to be administered by Bank as referred to in Article 7 of PBI is adjusted with the prevailing legislation concerning document administration.
15. Current transactions before PBI effectiveness and not yet in maturity after the PBI effectiveness, are not subject to the stipulations in PBI as regulated in Article 10 of PBI.

Bank is not obliged to conduct termination of transaction on the date of PBI effectiveness if there are transactions not yet in maturity, but may continue the transaction until maturity date. In the case of transaction roll over after PBI effectiveness, said roll over is subject to stipulation in PBI.

Stipulations in this Circular Letter shall come into force as of 27 November 2008.

For the public to be informed, it is ordered to promulgate this Circular Letter in the State Gazette of the Republic of Indonesia.

Please be informed accordingly.

Bank Indonesia

BUDI MULYA
DEPUTY GOVERNOR

STATEMENT FORM OF NON-BANK FOREIGN EXCHANGE TRADER

COMPANY LETTERHEAD

S T A T E M E N T

Referring to Bank Indonesia Regulation Number 10/28/PBI/2008 dated 12 November 2008 concerning the Buying of Foreign Exchange against Rupiah to Bank article 3 paragraph (2), hereby:

Name of Forex Trader:

No. KpmIU :

Hereby stating that:

1. The buying transaction of foreign exchange against rupiah conducted by us monthly is in the average of around Rp (equivalent to USD) based on our transaction data with bank in banking system in Indonesia during the last 3 (three) months the details are as follows:
month for the sum of
month for the sum of, and
month for the sum of
2. Said buying transactions are required to meet foreign exchange need for our transactions with customers.

Thus our true statement.

Place, DD/MM/YY

Yours truly,

PT.

Signed and Chop of Company

Stamp *

N a m e

(Director / Branch Office Manager)

* sufficiently stamped